

PROVINCE OF SASKATCHEWAN



08-09

ANNUAL REPORT

**MINISTRY OF
INTERGOVERNMENTAL
AFFAIRS**



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This annual report is also available in electronic format from the Ministry's website at www.gov.sk.ca/intergovernmental-affairs/

Letters of Transmittal



The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

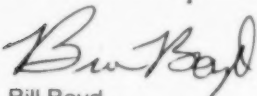
On behalf of Premier Brad Wall, it is my privilege to submit the Annual Report of the Saskatchewan Ministry of Intergovernmental Affairs for the fiscal year ending March 31, 2009.

Our government is focused on strengthening Saskatchewan's relationships with other provinces and nations for the betterment of the people of Saskatchewan, and that goal is reflected in the work of Intergovernmental Affairs.

We will continue to take a leadership role in the New West, work to reduce inter-provincial and international trade barriers, and build relationships with other governments that will help create a lasting prosperity in Saskatchewan.

The provincial government, including Intergovernmental Affairs, practices strong and accountable financial stewardship of the public resources entrusted to us. The people of Saskatchewan deserve no less than our best efforts in this regard.

Respectfully submitted,



Bill Boyd
Minister Responsible for Intergovernmental Affairs

July 2009



The Honourable Bill Boyd

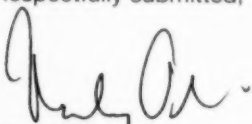
Dear Minister:

It is my honour to submit the Annual Report of the Saskatchewan Ministry of Intergovernmental Affairs for the fiscal year ending March 31, 2009.

The past year has been an active one as the Ministry has diligently worked to implement the government's intergovernmental initiatives, and has continued work alongside other ministries to support their efforts with regard to intergovernmental affairs. We remain committed to the advancement of Saskatchewan's interests through the strategic management of our relationships with other jurisdictions and by pursuing trade policy that will help our province grow and prosper.

This report charts our Ministry's success in meeting our goals over the course of the past year. I acknowledge responsibility for this report and assure that the information contained herein is accurate and reliable.

Respectfully submitted,



Harley Olsen
Associate Deputy Minister, Intergovernmental Affairs

June 2009

Introduction

This annual report presents the Ministry of Intergovernmental Affairs' activities and results for the fiscal year ending March 31, 2009. It reports on public commitments made, and other key accomplishments of the Ministry. As a transition year, the 2008-09 Annual Report follows a similar format to the 2007-08 Annual Report, and also includes the Government's vision and three goals. With the release of Ministry Plans for 2009-10, Intergovernmental Affairs will report on publicly committed strategies and actions identified in our plan within the 2009-10 Annual Report.

The 2008-09 Annual Report also sets the stage for the 2010-11 planning and budget process by providing an opportunity to assess the accomplishments, results, and lessons learned, and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

The Ministry of Intergovernmental Affairs' 2008-09 Annual Report aligns with Government's vision and three goals:

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- Keep Government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Together, all ministries and agencies support the achievement of Government's three goals, and work towards a secure and prosperous Saskatchewan. Intergovernmental Affairs advances the Government's goals and objectives through managing the province's relations with other governments and associated organizations in Canada and abroad.

Intergovernmental Affairs supports the Government's goal of **sustaining economic growth** by:

- developing and implementing Saskatchewan-US and Saskatchewan-International engagement strategies;
- further opening markets for Saskatchewan goods, services and investment;
- advancing Saskatchewan's interests in trade disputes; and,
- building a stronger West and a stronger Canada through leadership in relations with other provinces.

Intergovernmental Affairs supports the Government's goal of a **secure Saskatchewan** by efforts to ensure the progression and sustainability of the growing economy.

Intergovernmental Affairs supports the Government's goal to **keep promises and fulfill commitments** by advancing Saskatchewan's interests within Canada.

Ministry Overview

The Ministry of Intergovernmental Affairs has three main areas of concentration: a Canadian focus, specifically the management of federal, provincial and interprovincial relations; an international relations focus which co-ordinates the strategic management of provincial interests abroad; and a trade policy function that develops and advances Saskatchewan's market access objectives domestically and internationally.

Intergovernmental Affairs co-ordinates the advancement of Saskatchewan's key relationships and interests with other governments. It provides direct support to the Premier in his intergovernmental meetings within and outside Canada. It reviews and provides advice on federal-provincial agreements and international partnerships. It negotiates trade agreements, represents Saskatchewan within trade negotiations led by the Government of Canada and works to resolve trade disputes affecting Saskatchewan. It develops and co-ordinates the implementation of domestic, international and trade policy strategies on a cross-government basis.

Intergovernmental Affairs shares financial, communication and administrative services with the Ministry of Municipal Affairs and the Office of the Provincial Secretary.

The Ministry of Intergovernmental Affairs' total 2008-09 full-time equivalent (FTE) utilization was 22.4, representing a variance of 4.8 FTEs below the approved budget of 27.2 FTEs. The under-utilization is primarily the result of vacancy management.

Mandate

The Ministry of Intergovernmental Affairs advances and defends Saskatchewan's interests through strategic management of the Government's relations with the federal and provincial governments; and through diplomatic relations, advocacy, and trade policy initiatives with foreign governments and their representative organizations. The Ministry works within a highly uncertain environment that is influenced by global and national trends, and emerging issues.

Progress in 2008-09

The Ministry of Intergovernmental Affairs is a key contributor toward reaching the Government's goal of sustaining economic growth for the benefit of Saskatchewan people. The first section below highlights the Ministry's significant achievements over the past year that supported the Government's growth agenda. The subsequent section reports in more detail the Ministry's progress by key theme.

Significant Achievements

Saskatchewan's relations with other governments, inside and outside of Canada, play a critical role in advancing the province's economic growth and prosperity.

Regionally, Saskatchewan has emerged as a leader in the New West. The relationships the province is building in the West will result in a more unified western voice in Canada and a stronger economic region. In particular, Saskatchewan:

- hosted a successful Western Premiers' Conference;
- held a joint cabinet meeting with Alberta in Lloydminster; and,
- met with British Columbia and Alberta in Canada's first Trilateral Cabinet Meeting.

Nationally, Intergovernmental Affairs played a critical role in strengthening the Agreement on Internal Trade (AIT). A stronger AIT is expected to provide predictability and certainty for business and ensure the free movement of goods, services and labour. This will have a significant impact on Saskatchewan's economic growth, given the trade-oriented nature of the province and its need for skilled labour. In 2008-09, the Ministry supported the province as it:

- led the successful negotiation of a stronger AIT dispute resolution mechanism with real consequences for governments that do not follow the rules for open markets; and,
- advanced amendments to the AIT Labour Mobility Chapter.

Internationally, Saskatchewan has developed a stronger presence in the United States (U.S.). The U.S. is Saskatchewan's largest trading partner and a key contributor of foreign direct investment. The Ministry has worked to strengthen the Government of Saskatchewan's capacity to effectively engage with the U.S., both nationally and regionally, and

protect the province's economic interests. In 2008-09, the Ministry:

- retained the services of a U.S.-based consulting firm to advance Saskatchewan's priorities in the U.S.;
- co-ordinated a number of high-profile premier-led missions to Chicago, Houston and Washington to promote Saskatchewan's trade, energy and agriculture interests; and,
- co-ordinated the province's participation in regional intergovernmental venues such as the Midwestern Legislative Conference, the Western Governors' Association and the Pacific NorthWest Economic Region.

PROGRESS IN 2008-09 BY THEME

The following section provides updates on the Ministry's 2008-09 activities by key policy themes. These themes reflect commitments identified in the Minister's Mandate Letter, the Speech from the Throne and provincial budgets.

Leadership in the New West

Saskatchewan has taken an active role in the New West. Saskatchewan's leadership is ensuring that Saskatchewan people benefit from expanded economic opportunity, improved public services and enhanced security.

Supporting Saskatchewan's role in the New West and fulfilling commitments in the Minister's Mandate Letter, the Ministry co-ordinated the Western Premiers' Conference in May 2008. Premiers from British Columbia, Alberta, Manitoba, Yukon, the Northwest Territories and Nunavut joined Premier Brad Wall in Prince Albert to discuss concrete, collaborative actions western premiers could take to improve the competitiveness of the West and the lives of western Canadians. Key outcomes of the meetings included:

- agreement to advance labour mobility and foreign credential recognition on a regional or national basis;
- agreement to undertake a joint western mission to key U.S. cities to promote trade and energy relationships;
- agreement to initiate an independent study on competitiveness in western provinces and territories; and,

- support for Jordan's Principle; the principle that jurisdictional disputes should not get in the way of providing health or other services to Aboriginal children in need.

In September 2008, Saskatchewan and Alberta held their first ever joint cabinet meeting in Lloydminster. The Ministry worked closely with officials from Alberta to support the signing of a protocol of understanding to foster interprovincial collaboration.

In March 2009, Saskatchewan, Alberta and British Columbia held Canada's first Trilateral Cabinet Meeting. The three jurisdictions agreed to:

- begin discussions to create a new western economic partnership intended to enhance internal trade, innovation and international market development co-operation;
- develop a joint agreement to co-ordinate efforts to combat gangs and organized crime;
- ask the federal government for amendments to the criminal code, including the elimination of the "two-for-one" provision under which time spent in pretrial custody is doubled and applied against an offender's sentence;
- jointly work on developing a new regional voluntary pension plan option for the roughly three-quarters of private sector workers in the three provinces who do not have an employer-based plan; and,
- work together with the federal government to develop an improved approach to environmental assessments to remove duplication and speed up project approval.

Leadership among Provinces and Territories

Increasingly, Saskatchewan is demonstrating leadership on a national basis. Taking a strong leadership role among provinces and territories allows the province to ensure regional and national initiatives reflect the priorities and interests of Saskatchewan people.

Saskatchewan has been working with provinces and territories to improve internal trade in Canada. Internal trade represents more than 56% of Saskatchewan's gross domestic product (GDP) and plays an important role in sustaining the province's economic growth.

The Minister of Intergovernmental Affairs' mandate includes directives to reduce interprovincial trade barriers to encourage economic growth. The continued growth of internal trade depends on a Canadian economy which is free of trade and regulatory barriers. The Ministry played an important role in advancing the Agreement on Internal Trade (AIT) including:

- the development of a stronger trade dispute resolution mechanism which will increase predictability and certainty for Saskatchewan's producers who do business across Canada;
- the implementation of full labour mobility for all regulated professionals and skilled trades in Canada;
- continued efforts to finalize a new Agriculture Chapter;
- continued negotiations to finalize a new Energy Chapter, as per the Minister's mandate to work with the federal government to secure a Saskatchewan Energy Accord to support economic growth initiatives in Saskatchewan;
- the harmonization of regulations in the transport sector; and,
- the resolution of a long-standing internal trade dispute with Quebec related to margarine coloring restrictions that will benefit Saskatchewan's canola producers.

Saskatchewan has also been actively working to build partnerships with other provinces and territories to ensure the province's priorities are effectively advanced regionally and nationally:

- Saskatchewan worked with Alberta and British Columbia to press for amendments to the Criminal Code. The federal government has since proposed amendments.
- Intergovernmental Affairs, with support from the Ministry of Energy and Resources, assisted the province as it worked with Alberta at the Western Premiers' Conference and the Council of the Federation to successfully advance Carbon Capture and Storage (CCS) as a national priority. Implementation of the commitments has been led by Energy and Resources and will be crucial to reducing Greenhouse Gas (GHG) emissions in Saskatchewan.

Constructive Relationship with Ottawa

Saskatchewan has focused on improving the province's relationship with the federal government. A positive relationship with Ottawa helps ensure Saskatchewan people and the interests of the province are fully considered when the federal government makes decisions. Intergovernmental Affairs' mandate includes the establishment of a new partnership with the federal government focused on increased federal support for Saskatchewan's economic growth agenda and increased federal funding to support health care and protection of the environment.

In the past year, Saskatchewan successfully advanced key interests at the First Ministers' Meeting. In particular, Saskatchewan worked with other jurisdictions to ensure a considerable portion of the new infrastructure monies would be allocated based on merit, rather than *per capita*.

The development of a new partnership between the federal and provincial government and First Nations will improve the social, economic, health and educational outcomes for First Nations people in Saskatchewan. Saskatchewan played a leadership role in proposing that First Ministers meet with Aboriginal leaders to discuss Aboriginal economic development. Following the First Ministers' Meeting, the federal government announced additional investments for on-reserve infrastructure.

Saskatchewan has developed a positive and constructive relationship with the federal government. This approach is resulting in joint initiatives that will build long-term prosperity for Saskatchewan people. Some examples include the recently signed agreements on infrastructure, the labour market, and agriculture. This constructive relationship with the federal government played an important role in Canada's recognition of the critical role of CCS in addressing climate change. Saskatchewan has consistently promoted the importance of technological solutions, such as CCS, in reducing GHG emissions while allowing the economy to grow.

In 2008 the federal government recognized Saskatchewan's leadership in CCS by contributing \$240 million from the federal budget for one of the first and largest integrated clean coal/carbon capture demonstration projects in the world at Boundary Dam Power Station in Estevan, Saskatchewan. The federal government has not yet published its climate change regulations. Saskatchewan is taking a proactive approach by developing CCS technologies and pursuing an agreement in principle with the federal government to enable the province to retain carbon offsets or penalties paid by large GHG emitters in Saskatchewan.

Saskatchewan's approach to federal-provincial relations contributed to the federal government's successful pursuit of amendments to G8 communiqué language that could otherwise have potentially interfered with the Province's downstream uranium development. These efforts were further strengthened through extensive advocacy efforts with the U.S. Congress.

Advancing Saskatchewan's Interests in the U.S. and Internationally

As stated in the Speech from the Throne, Saskatchewan needs to be a leader not only in the New West but also nationally and internationally. Increasingly, Saskatchewan has been playing an active role in the U.S. and in the world. In addition to providing an export market for Saskatchewan's goods and services, the international community is a valuable source of investment, talent, and good ideas.

Energy is a cornerstone of Saskatchewan's export economy and an important international priority. The Ministry has supported the province's energy-related interests by coordinating strategic engagement in the international community as follows:

- In July 2008, Saskatchewan became a member of the Pacific NorthWest Economic Region (PNWER). PNWER is a public/private partnership made up of legislators, governments and businesses from across the U.S. and Canadian northwest with the aim of pursuing similar goals in the areas of regional co-operation and economic growth. Joining PNWER provides an opportunity for Saskatchewan to work with northwestern states to manage the challenges and opportunities for growth, including those in the energy sector.
- In partnership with the Canadian Embassy in Washington, the Ministry co-ordinated and hosted a group of influential U.S.-based think tanks and energy journalists to promote Saskatchewan's role as a key supplier of energy to the U.S. and highlight the province's carbon capture and storage and enhanced oil recovery initiatives. Saskatchewan and Alberta also partnered to host Congressman Rick Boucher, the former Chairman of the U.S. House Energy and Air Quality Sub-Committee and the lead author of the House Democrats climate change bill, as part of a two-day study tour on carbon capture and storage and the oil sands.
- To address Saskatchewan's long-term energy development interests, the Ministry supported the Ministry of Energy and Resources in its efforts to renew the Government of Saskatchewan's Memorandum of Understanding (MOU) with China National Petroleum Corporation in September 2008. The MOU was expanded to include a Working Group on Energy.
- In March 2009, the Government of Saskatchewan signed a co-operation agreement with Idaho National Laboratory, the top laboratory for nuclear energy in the U.S., to explore research and demonstration projects on a variety of energy sources and resources, including potential collaboration on carbon dioxide capture and storage projects.
- In 2009, progress was made towards an agreement between Saskatchewan and Montana to work together on the development of one of the largest international CCS demonstration projects in the world.

In the past year, Saskatchewan has increased its general outreach efforts in the U.S. In particular:

- Premier Wall attended the 2008 meeting of the Western Governors' Association where he promoted Saskatchewan's interests in regional issues including energy and climate change and the management of water resources.
- In June 2008, the Ministry, in partnership with the Speaker's Office, co-ordinated the participation of 23 Saskatchewan legislators in the Midwestern Legislative Conference in Rapid City, South Dakota. This venue continues to provide important opportunities for provincial legislators to build regional alliances with legislators representing key Border States and other regions important to advancing Saskatchewan's interest in the U.S.
- In February 2009, Saskatchewan led a Western Premiers' Mission to the U.S. The mission raised the profile of western Canada as a secure supplier of energy to the U.S. and reinforced the importance of free trade. Subsequently, in March 2009, Premier Wall conducted his second mission to Washington to reinforce Saskatchewan's energy, agriculture and trade-related interests with key players in the U.S. Congress and the new Obama administration.
- To strengthen Saskatchewan's capacity to effectively engage with the U.S. the Government of Saskatchewan retained the firm Nelson Mullins to advocate, on the province's behalf, with U.S. Congress, the White House, government agencies, influential Washington, D.C.-based organizations and coalitions, and key U.S. states.

Saskatchewan has also been working to advance its interests throughout the world. Effective international engagement enhances innovation, creates opportunities for international investment, develops markets for Saskatchewan's world-class products and provides talent to help develop emerging industries. In the past year, the Ministry:

- secured a participatory role in areas falling in whole or in part under provincial jurisdiction at the upcoming negotiations toward a Canada-European Union Closer Economic Partnership Agreement, enabling the Ministry to strategically advance the province's interests with Canadian federal and European union negotiators;
- signed a Memorandum of Intent with Vietnam committing to work together to investigate opportunities for future economic and technological co-operation; and,
- hosted 25 diplomatic visits; facilitating information exchange, trade, investment, cultural relations and tourism.

Saskatchewan has also been working to advance its international trade interests. Given that Saskatchewan exports about half of its outputs to international markets, the growth of the provincial economy depends on the free movement of goods and services across international borders. In the past year, Intergovernmental Affairs has:

- defended Saskatchewan's interests in international trade disputes and restored full market access for Canadian/Saskatchewan wheat to the U.S. market;
- worked with the federal government to initiate a World Trade Organization (WTO) consultation with the U.S. with respect to the Country of Origin Labeling provision of the U.S. farm bill;
- represented the interests of Saskatchewan's forest industry in the Canada-U.S. Softwood Lumber Agreement arbitration on the Adjustment Factor Remedy;
- continued to advance Saskatchewan's position in the WTO Doha round of negotiations to the federal government, in addition to urging Canada to take on a lead role in restarting the negotiations as the province's export-oriented economy benefits from multilateral trade liberalization, particularly in the agriculture sector; and,

- proactively engaged with the federal government in its ongoing free trade and economic cooperation negotiations with countries of interest including South Korea, Singapore, Jordan, Panama, Japan and India.

MEASUREMENT RESULTS

As a central agency, the Ministry of Intergovernmental Affairs provides leadership through the co-ordination of information and the provision of strategic advice across Saskatchewan Government ministries. Negotiation and implementation of specific initiatives is often reported by other ministries. Moreover, strategic negotiations between governments are often confidential and can take years to complete. Files of strategic significance to the Ministry vary depending on the rapidly changing political environment within Canada and the world and can be difficult to predict in advance and/or may not persist on a multi-year basis. For these reasons, the outcomes of the Ministry are not well suited to long-term quantitative measures. However, every effort has been made throughout this report to provide qualitative/narrative assessment of outcomes where negotiations are complete and results are public.

2008-09 Financial Overview

Financial Results

The Ministry of Intergovernmental Affairs' total 2008-09 expenses were \$3.5 million, representing a variance of \$0.019 million below the approved appropriation. This variance is largely attributable to one-time operating under-expenditures primarily related to the Western Premiers' Conference, and the annual payment to the Council of the Federation, and is off-set by higher than anticipated salary related payments.

The administrative costs for the Ministry are included in the Ministry of Municipal Affairs, as Intergovernmental Affairs has entered into a shared service arrangement with the Ministry of Municipal Affairs for the provision of these services rather than establish an independent administrative function.

Summary

The following table summarizes budgeted versus actual expenditures by subvote and subprogram. Variance explanations are provided for all variances that are greater than 5% and \$100,000.

<i>In thousands of dollars</i>					
Subvote/Subprogram	2007-08 Actual	2008-09 Estimates	2008-09 Actual	2008-09 Variance Over/(Under)	
Central Management and Services	\$ 202	\$ 816	\$ 1,104	\$ 288	1
Intergovernmental Relations	\$ 2,555	\$ 2,722	\$ 2,415	\$ (307)	
Canadian Intergovernmental Relations	953	1,124	803	(321)	2
International Relations	1,137	1,025	1,077	52	
Trade Policy	465	573	535	(38)	
Sub-total	\$ 2,757	\$ 3,538	\$ 3,519	\$ (19)	
Capital Assets	0	0	0	0	
Capital Asset Acquisitions	0	0	0	0	
Capital Asset Amortization	0	0	0	0	
Total Appropriation	\$ 2,757	\$ 3,538	\$ 3,519	\$ (19)	

Explanations of Major Variances

2008-09 Results:

- 1 Higher than anticipated salary related payments.
- 2 One-time operating under-expenditures primarily related to the Western Premiers' Conference and the annual payment to the Council of the Federation.

Financial Accountability Statement

Intergovernmental Affairs is responsible for ensuring:

- public accountability for Government finances entrusted to the Ministry;
- fiscally responsible management of its resources and financial affairs;
- compliance with existing legislation and regulations;
- systems and controls are in place to safeguard public assets; and,
- appropriate results are reported to the public and the legislature.

There are a number of external controls in place to monitor these responsibilities. They include:

Audited Results – The Provincial Auditor's Office has legislative responsibility to audit Intergovernmental Affairs. Audit conclusions are published in a report to the Legislative Assembly of Saskatchewan. If a deficiency is reported by the Provincial Auditor, the Ministry may be called to appear before the Public Accounts Committee of the Legislature.

Accountable to Legislature – The Ministry's annual budget is detailed in the Saskatchewan Provincial Budget Estimates. The Ministry is called to appear before a Legislative Committee to defend the Ministry's budget estimates.

Public Reporting – Expense and revenue details as they pertain to the Ministry are published in the Annual Report, and Public Accounts Volumes 1 and 2.

For More Information

Additional information about the Ministry of Intergovernmental Affairs is available at our website:
<http://www.gov.sk.ca/intergovernmental-affairs/>.

The website includes both general and detailed information about the Ministry, its key programs, special studies and legislation for which the Ministry is responsible.

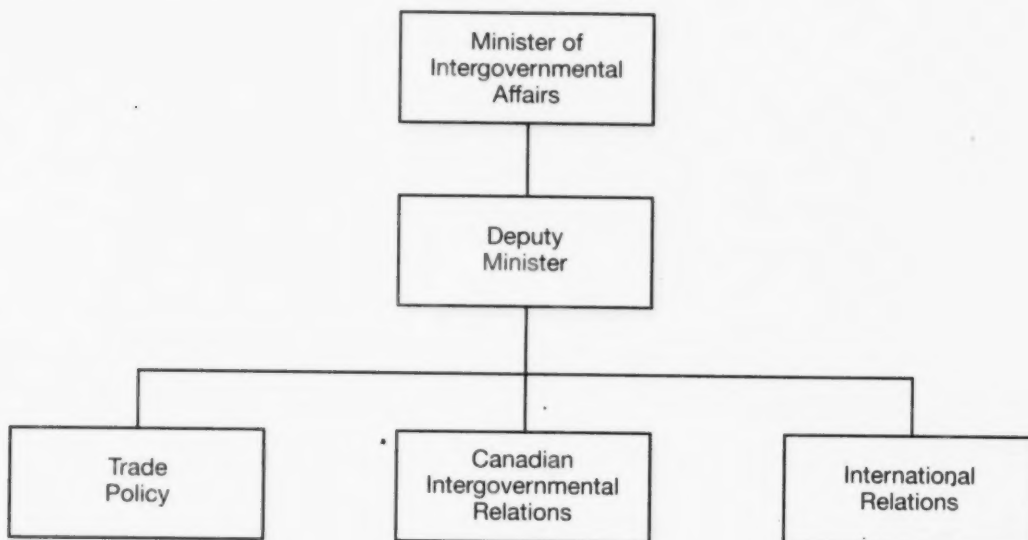
For more information about the Ministry, or to provide feedback about our 2008-09 Annual Report, please contact us at:

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Appendices

Organizational Chart as at March 31, 2009



Please Note: Intergovernmental Affairs obtains financial, administrative, communications, HR and IT services through shared services arrangements with a number of ministries.

